GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

STARRED QUESTION NO:65
ANSWERED ON:28.07.2005
HIKE IN DIESEL AND PETROL PRICES
Adhalrao Patil Shri Shivaji;Sonowal Shri Sarbananda

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the Government has recently hiked the prices of diesel and petrol;

(b) if so, the reasons and the justification therefor;

(c) whether the Government is aware that this hike will have cascading effect on the prices of many essential commodities;

(d) if so, whether keeping in view the strong protest from various quarters, the Government is considering to roll back/reduce the hiked prices; and

(e) if so, the details thereof and the steps taken by the Government in this regard ?

Answer

MINISTER OF PETROLEUM & NATURAL GAS AND PANCHAYATI RAJ (SHRI MANI SHANKAR AIYAR)

(a) to (e): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF THE STARRED QUESTION NO.65 TO BE REPLIED ON 28TH JULY 2005 BY SARVASHRI ADHALRAO PATIL SHIVAJIRAO AND SARBANANDA SONOWAL REGARDING HIKE IN DIESEL AND PETROL PRICES

(a) Yes, Sir. On the 20th June, 2005 the retail prices (in Delhi) of petrol and diesel were raised by Rs.2.50 and Rs.2.00 per litre respectively.

(b) Since the end of 2003, there has been an unprecedented, sharp and spiraling increase in international oil prices combined with considerable week-to-week and even day-to-day volatility. The Indian Basket of crude oil touched an all-time high of US$57.27/bbl on 8-7-2005. Against the average Indian Crude Basket price of US$27.96/bbl during 2003-04 and US$39.21 during 2004-05, the average for June 2005 was US$52.75/bbl. Despite the sharp increase in international prices, in order to contain the burden of increase on the consumers of sensitive products, Government have decided that the burden of the increase should be equitably shared also by the Government and oil companies. The rise in international prices of crude oil, petrol and diesel since March 2002 and the corresponding increase in retail selling prices of petrol and diesel at Delhi are at Annex. On account of this policy to safeguard the interests of consumers to the extent possible, the increase in the domestic retail prices of petrol and diesel is only about half what would have been warranted by the rise in international prices. Moreover, no increase was effected on 20-6-2005 in the prices of kerosene and LPG.

(c) Following the increase in prices of petrol and diesel, the annual rate of inflation, in terms of Wholesale Price Index (WPI) numbers, has gone up only marginally by 0.04% points to 4.14% during the week ending 25.6.2005 over the previous week's level. In the subsequent week ending 2.7.2005, the rate of inflation declined by 0.05% points to 4.09%. While the recent increase in the prices of petrol and diesel appear to have made little impact on the general price situation, in the long run. The hike in diesel prices may impact on the retail prices of various commodities in different parts of the country owing to the likely increase in transport and other incidental costs.

(d) and (e) While the Government is not considering any roll back of the hiked prices of petrol and diesel, a number of steps have been taken by the Government to contain the burden of the increase in international prices of crude on consumers of sensitive petroleum products. It was decided that the burden should be equitably shared by consumers, the Government and Oil Companies. Government for its part, reduced the excise duty on petrol and diesel by 4% and 3% respectively effective 16.6.2004 and, effective 19.8.2004, the excise duty on petrol and diesel was further reduced by 3%. Government also reduced customs duty by 5% each on petrol and diesel with effect from 19.8.2004. In the Budget 2005-06, customs duty on crude was reduced from 10% to 5%, on kerosene and LPG from 5% to nil and on other petroleum products from 15-20% to 10%. The Oil Marketing Companies (OMC), in accordance with administrative instructions, have been modulating impact of high oil prices on domestic retail prices of sensitive products, namely, PDS Kerosene, Domestic LPG, Petrol and Diesel by not passing on the full burden of price increase to the consumers. Inspite of under-recoveries to OMCs running to several thousand crore rupees on account of high international prices prevailing since more than a year, the price of kerosene has remained unchanged since March 2002 and that of Domestic LPG since November 2004.

ANNEX.

STATEMENT SHOWING THE RISE IN INTERNATIONAL PRICES OF PETROL AND DIESEL SINCE MARCH 2002 AND RETAIL SELLING PRICE AT DELHI

	International Prices		Domestic Prices		
	Crude price $/bbl	Petrol $/bbl selling price of petrol (Rs./litre)	Diesel $/bbl Retail selling price of diesel (Rs./litre)	Retail	
March 2002	23.31	26.43	23.27	26.54	16.59
July 2005 (upto to 22-7-2005)	55.00	62.94	67.68	40.49	28.45
% increase over March 2002	136%	138%	191%	53%	71%